

## Message Text

CONFIDENTIAL

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ACTION EB-07

INFO OCT-01 EA-07 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 COME-00 EPG-02 DODE-00 FPC-01 H-01 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

OES-07 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 /097 W

-----031204Z 052130 /40

R 030830Z JUN 77

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 1503

INFO AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

AMCONSUL MEDAN

AMCONSUL SURABAYA

C O N F I D E N T I A L JAKARTA 7274

E.O. 11652: GDS

TAGS: ENRG, ID

SUBJECT: CALTEX-GOI AGGREEMENT ON INCENTIVES

REF : JAKARTA 6588

1. CALTEX REGARDS MAY 18 AGREEMENT WITH GOI ON \$.50/BARREL INCENTIVE AS "SIGNIFICANT" DEVELOPMENT, PARTICULARLY IN TERMS OF FUTURE SECONDARY-RECOVERY PROGRAMS. EMBOFF MET JUNE 2 WITH NEW CALTEX MANAGING DIRECTOR HAROEN AL-RASHID AND VISITING CALTEX PRESIDENT W.E. TUCKER FOR DISCUSSION OF COMPANY VIEWS

ON AGREEMENT (REFTEL).

2. CALTEX OFFICIALS CONFIRMED THAT NEW INCENTIVE WOULD, FOR FUTURE OIL, PARTIALLY OFFSET PREVIOUS GOI REQUIREMENT WHICH CALLED FOR CALTEX PAYMENT OF ADDITIONAL \$1.00/BARREL. RASHID EXPLAINED THAT CALTEX AND GOI HAD AGREED EARLIER THIS YEAR TO STANDARDIZE THIS PAYMENT AT \$.85/BARREL FOR ALL OIL LIFTED; CONFIDENTIAL

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THIS TAKES INTO ACCOUNT REDUCED PAYMENT CALTEX WAS MAKING ON OIL DESTINED FOR "FAR AWAY MARKTTS." HENCE, NEW INCENTIVE MEANS CALTEX WILL BE PAYING NET \$.35/BARREL ON ALL NEW OIL LIFTED.

3. AGREEMENT ON INCENTIVE WILL BE INCORPORATED INTO EXISTING CONTRACT OF WORK. INCENTIVE IS RETROACTIVE TO

JANUARY 1, 1977 AND WILL BE GRANTED FOR FIVE YEAR PERIOD ON OIL PRODUCED VIA NWW WELLS; FOR OIL DEVELOPED THROUGH SECONDARY RECOVERY, HOWEVER, NO TIME LIMIT WILL BE APPLIED. CALTEX IS NOW MEETING WITH GOI/PERTAMINA TO DETERMINE "BASE LINE" PRODUCTION/DEPLETION RATES FOR OLDER FIELDS; NEW OIL PRODUCED FROM ENHANCED RECOVERY (PROBABLY WATERFLOODING FOR MINAS) WILL BE ELIGIBLE FOR INCENTIVE.

4. COMMENT: RASHID REMARKED THAT AGREEMENT HAS SERVED TO CLEAR THE AIR AND RESTORE CALTEX-GOI RELATIONS TO MORE NORMAL FOOTING. NEITHER SIDE GOT WHAT IT ORIGINALLY WANTED; IMPORTANT THING WAS THAT COOPERATION THROUGH IMPROVED DIALOGUE HAD MADE AGREEMENT POSSIBLE. RASHID, WHILE NOT SAYING SO DIRECTLY, CONVEYED DISTINCT IMPRESSION THAT NEW INCENTIVE WOULD BE KEY FACTOR IN ENABLING CALTEX TO MOVE AHEAD ON FULL-SCALE RECOVERY PROGRAM END COMMENT.  
NEWSOM

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## Message Attributes

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**Channel Indicators:** n/a  
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**Disposition Approved on Date:**  
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**Disposition Date:** 22 May 2009  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009